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Back-to-back export bonanzas: 1988-89

NOW I KNOW what it feels like to be an economist who is conservative.

Last year at this time I wrote an editorial (March 1988, p. 15) entitled "Look for an export bonanza in 1988" and predicted an upsurge in exports of 32% to over $5 billion. At the same time, most industry sages were conservatively predicting 12 to 16% growth.

The actual result (our projection, based on 11 months) is an increase of 35% in wood products exports, totaling $5.4 billion. An export bonanza in the truest sense. Yes, I was actually *conservative* (not typical for me!).

So what about 1989? I predict increased growth—another bonanza—though not with as big a surge as last year. My forecast is for U.S. exports of $6.1 billion in '89, up 14% from 1988. The result is impressive when you consider that the previous high was $4 billion.

The rationale is the same as last year, except I don't think the percentage impact will be quite as great.

- Money: The U.S. dollar will be weak.
- Motivation: U.S. housing starts will be down. Thus more companies will again look outside the United States.
- Markets: Most will stay strong. Highlights by country follow.

JAPAN: Look for continued growth in 1989. Though housing may dip from 1.6 to 1.4 million starts, the government emphasis still will be to stimulate domestic demand.

Though logs will ease their frenetic expansion, value-added products will continue to gain. Softwood lumber will increase and Japan will become America's largest hardwood lumber market. Hardwood veneer demand will double. And U.S. hardwood chips will become a big business.

Japan as a market alone will approach *total* U.S. exports for the years 1981 to 1985.

CANADA: Year in and year out, Canada provides a steadily growing market for U.S. wood products, especially those of higher value. I expect this trend will become even more prominent over the next several years due to the Free Trade Agreement, which gradually will eliminate tariffs on many higher valued products such as molding and millwork.

CHINA: The PRC experienced a great resurgence as a U.S. customer in 1988 as U.S. log exports (97%) jumped 200% to over $500 million, a record year. Although Chinese business varies considerably—dependent upon that country's own currency restrictions—I still believe it has the potential of becoming a billion dollar customer for the U.S. in the mid-1990s. My projection is for another 30% growth year in 1989, making it America's number two export customer.

KOREA AND TAIWAN: The ROK continues to grow apace. Softwood logs continue to be the mainstay (76%) of the business. However, hardwood lumber and veneer shipments of nearly $10 million each reflected 40% and 100% growth rates in the last year, due largely to a surging Korean furniture industry. I continue to believe Korea, with its forecast over $400 million in exports for 1989, is an outstanding opportunity for U.S. companies and warrants increased attention.

As for Taiwan, it is not just a market for U.S. hardwood products. (As a matter of fact, its furniture industry is on a plateau and U.S. exports of hardwood lumber, for example, dipped in 1988.) In 1988 Taiwan started buying U.S. softwood logs and lumber as well as particleboard and hardboard in a much bigger way. Moreover, it became America's number two (after Japan) chip buyer. I expect these trends to continue in 1989 and for Taiwan to go up another 20% or more.

EUROPE: The big buyers here are the United Kingdom (number 6), Germany (7), Italy (9) and, with a big jump in 1988, Spain (11).

The U.K. always has been a good market for U.S. exports, but it was outstanding in 1988, reaching over $200 million with 40% growth. U.S. industry market development efforts, helped by a weak dollar and strong demand, pushed U.S. exports of softwood by 59% and hardwood lumber by 70% (Britain is America's third largest customer for the latter). I expect another good year in 1989.

In Italy and Germany, continued growth is forecast in all sectors for U.S. value-added products.

The European surprise for 1988 was Spain, sparked by big demand increases in both softwoods and hardwoods. As the growth of that economy continues, Spain's markets will improve.

OTHER MARKETS: Mexico (8) and Australia (10) were the other two countries making the top tier.

Mexico continues to expand sharply as a market for U.S. softwood and hardwood lumber. Other products showing strong growth include wood chips and particleboard. As our southern neighbor continues in 1989 to stabilize financially, calm itself politically, and liberalize its markets, we can expect more expansion.

Australia is basically a softwood lumber market, and it increased dramatically in 1988. I expect further growth in 1989, but not the same magnitude.

Summing up, 1988 was phenomenal. And 1989 will be better. Good exporting! —*John V. Ward*

U.S. wood exports forecast, 1988-89 (thousands of dollars)

Top markets	Total 1988	% chg from '87	Total 1989	% chg from '88
Japan	2247	24	2384	6
Canada	547	16	580	6
China	505	200	666	32
Korea	322	70	411	28
Taiwan	197	50	242	23
U.K.	202	40	235	16
Germany	183	16	213	16
Mexico	175	60	228	30
Italy	158	15	178	13
Australia	114	72	127	11
Spain	105	58	139	32
Other	592	17	677	14
Total	**5347**	**35**	**6080**	**14**

THE AUTHOR is president of John V. Ward Associates Inc., an international trade consulting firm specializing in market development, market research and market access problems.

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